

Message Text

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ACTION COME-00

INFO OCT-01 AF-08 EUR-12 ISO-00 EB-07 L-03 CIAE-00 INR-07

NSAE-00 /038 W

-----051059Z 077357 /17

R 041755Z JAN 77

FM AMEMBASSY DAKAR

TO SECSTATE WASHDC 7759

INFO AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: BBAK, BDIS, SG

SUBJECT: MATERIALS SYSTEMS CORP. SENEGALESE PLANT

REF DAKAR 1568

1. WHEN SENEGALESE FREE TRADE ZONE WAS INAUGURATED IN MARCH 1976, FIRST AND ONLY PLANT IN OPERATION WAS THAT OF MASYDA (MATERIAUX SYNTHESES DE DAKAR) OWNED 40 PERCENT BY MATERIALS SYSTEMS CORP. OF ESCONDIDO, CALIFORNIA, 40 PERCENT BY SHAREHOLDERS OF MSC FRENCH SUBSIDIARY (MATERIAUX SYNTHESES DE CONSTRUCTION S.A.), 8 PERCENT BY TRIAD INVESTMENTS AND 8 PERCENT BY GOS. PLANT MANUFACTURES LAMINATED FIBREGLASS-RESIN PANELS WHICH WERE TO BE SHIPPED TO FRANCE AND ASSEMBLED INTO HOUSES FOR FRENCH HOUSING BOARD. MSC FRANCE REPORTEDLY HAD FIRM CONTRACT TO PROVIDE HOUSES. PLANT WAS FINANCED BY \$6 MILLION LOAN TO MASYDA GUARANTEED BY GOS. NINE MONTHS AFTER OPENING, HIGHLY VISIBLE MASYDA PLANT IS BANKRUPT AND OPINIONS DIFFER AS TO REASONS AND REMEDIES.

2. MSC DIRECTOR ROBERT VOLTZ VISITED DAKAR DECEMBER 22-23 AND MET WITH EMBOFFS TO DISCUSS SITUATION. ACCORDING TO VOLTZ, MSC FRANCE, IN WHICH MSC OF CALIFORNIA HAS ONLY MINORITY INTEREST, DID NOT REALLY HAVE CONTRACTS AND IS

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ITSELF IN DIFFICULTIES. ALMOST ALL OF PRODUCTION FROM DAKAR PLANT IS STOCKPILED. FURTHER, TERMS OF \$6 MILLION LOAN (FROM CONSORTIUM LED BY BANQUE ARABE POUR L'INVESTISSEMENT) WERE UNREALISTIC AND DID NOT ALLOW FOR SUFFICIENT GETATION PERIOD. FINALLY, PLANT HAS BEEN VERY POORLY MANAGED (RENCH MANAGER APPOINTED BY MSC-FRANCE WAS SACKED IN AUGUST AND PLANT HAS BEEN RUN BY PRODUCTION

ENGINEER AND ACCOUNTANT SINCE THEN). VOLTZ HAS PROPOSED TO MANAGE PLANT AT COST FOR GOS, RESCHEDULE DEBT, SUSPEND ROYALTY PAYMENTS AND INJECT MONEY INTO MSC FRANCE TO ENABLE IT TO PRODUCE AND MARKET HOUSES. HOWEVER, VOLTZ IS NOT WILLING TO PUT ADDITIONAL CAPITAL INTO MASYDA.

3. FOLLOWING MEETING WITH VOLTZ, EMBOFFS CONTACTED BECAYE SENE, CHAIRMAN OF MASYDA AND TECHNICAL ADVISOR TO FINANCE MINISTER. SENE AGREED WITH DIAGNOSIS SUPPLIED BY VOLTZ BUT ADDED THAT MATERIAL PRODUCED BY MASYDA IS OF POOR QUALITY AND PROBABLY UNSALEABLE. ACCORDING TO SENE, MOST OF \$6 MILLION LOAN WAS PAID TO MSC CALIFORNIA AS COST OF PLANT AND MACHINERY, AND ALSO TO PURCHASE RAW MATERIAL AND OPERATE PLANT DURING INTERIM PERIOD. FUNDS ARE NOW GONE, AND WORKERS, WHO HAD BEEN PAID FOR SEVERAL MONTHS FROM FINANCE MINISTRY PAYROLL, WOULD NOT BE PAID FOR DECEMBER, SENE INDICATED. SENE WANTS SHAREHOLDERS TO PUT UP ADDITIONAL \$1 MILLION IN CAPITAL TO GET PLANT OPERATING CORRECTLY AND KEEP IT GOING UNTIL MARKET CAN BE DEVELOPED. HE CLAIMS THAT MOST SHAREHOLDERS OF MSC FRANCE, WHO INVESTED INDIVIDUALLY IN MASYDA, RATHER THAN AS COMPANY, ARE WILLING TO GO ALONG, BUT MSC CALIFORNIA IS NOT.

4. ALL THIS WOULD BE ROUTINE DISPUTE BETWEEN GOS AND PRIVATE COMPANY WERE IT NOT FOR HIGH VISIBILITY AND HIGH LEVEL OF OFFICIAL INTEREST IN MASYDA, AND EQUALLY BECAUSE MASYDA DEAL WAS ONE OF FEW TIMES GOS HAS DEALT DIRECTLY WITH AN AMERICAN COMPANY ON THIS SCALE FOR A HIGHLY LIMITED OFFICIAL USE

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TECHNOLOGICAL PLANT. SENE DESCRIBED FINANCE MINISTER AS "FURIOUS THAT AN AMERICAN COMPANY WOULD TREAT US IN SUCH A CAVALIER FASHION." SENE HAS RECOMMENDED THAT GOVERNMENT MAKE AN INVENTORY OF NET WORTH OF MASYDA, STOP PAYMENT ON THAT PORTION OF LOAN ABOVE "FAIR VALUE" FOR INVENTORY, AND SUE MSC FOR RECOVERY OF ITS MONEY. GOS IMPRESSION OF MSC IS THAT COMPANY HAS MADE ITS PROFIT FROM OPERATION AND IS NO LONGER INTERESTED IN HONORING CONTRACT PROVISIONS.

5. SENE INDICATED THAT FINANCE MINISTRY WILL TRY TO RAISE NECESSARY WORKING CAPITAL FROM OTHER SHAREHOLDING AND WILL DISSOLVE MASYDA ONLY IF THIS EFFORT IS UNSUCCESSFUL. HE PROMISED TO KEEP EMBASSY INFORMED OF DEVELOPMENTS. AGGREY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Sent Date: 04-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977DAKAR00091
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770004-0186
Format: TEL
From: DAKAR
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770183/aaaacujc.tel
Line Count: 112
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Office: ACTION COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 DAKAR 1568
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3669293
Secure: OPEN
Status: NATIVE
Subject: MATERIALS SYSTEMS CORP. SENEGALESE PLANT
TAGS: BBAK, BDIS, SG
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/3acfe4dd-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009